

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Transferring Inbound Surface Parcel
Post (At UPU Rates)

Docket No. MC2014-28

NOTICE AND ORDER CONCERNING TRANSFER OF
INBOUND SURFACE PARCEL POST (AT UPU RATES)
TO THE COMPETITIVE PRODUCT LIST

(Issued June 27, 2014)

I. INTRODUCTION

On June 25, 2014, the Postal Service filed a notice with the Commission under 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* requesting that certain changes be made to the market dominant and competitive product lists.¹ Specifically, the Postal Service proposes to: (1) transfer Inbound Surface Parcel Post (at Universal Postal Union (UPU) rates) from the market dominant product list to the competitive product list; (2) merge the transferred product with Inbound Air Parcel Post (at UPU rates); and (3) identify the merged product as Inbound Parcel Post (at UPU rates). *Id.* at 1.

The Postal Service asserts that the transfer of Inbound Surface Parcel Post (at UPU rates) to the competitive product list is consistent with the current classification

¹ Request of the United States Postal Service to Transfer Inbound Surface Parcel Post (at UPU rates) to the Competitive Product List, June 25, 2014 (Request).

schedule and fulfills all of the criteria for competitive products under 39 U.S.C. 3642. *Id.* at 1-2. It therefore requests that the Commission transfer Inbound Surface Parcel Post (at UPU rates) from the market dominant product list to the competitive product list, merge the transferred product with Inbound Air Parcel Post (at UPU rates), and identify the merged product as Inbound Parcel Post (at UPU rates). The Postal Service states that there are no material changes to the product description and pricing but that the proposed Mail Classification Schedule (MCS) language does contain minor adjustments to ensure consistency between the Air and Surface Parcel Post descriptions. *Id.* at 2.

II. NOTICE OF FILINGS

Supporting materials. To support its Request, the Postal Service filed the following attachments:

- Attachment A—Resolution of the Governors of the United States Postal Service, June 18, 2014 (Resolution No. 14-03);
- Attachment B—Statement of Supporting Justification; and
- Attachment C—Draft Mail Classification Schedule (MCS) Language.

In its Statement of Supporting Justification, the Postal Service explains why the proposed changes will not violate the standards of 39 U.S.C. 3633. It notes that in FY 2013, Inbound Surface Parcel Post (at UPU rates) had a cost coverage of 153.6 percent. This cost coverage, together with the combined cost coverage of Inbound Surface Parcel Post (at UPU rates) and Inbound Air Parcel Post (at UPU rates) from FY 2013, show that the transfer will not adversely affect the Postal Service's ability to cover total institutional costs. *Id.*, Attachment B at 2.

To verify that the proposed change would not classify as competitive a product over which the Postal Service exercises sufficient market power, the Postal Service asserts that the UPU sets prices for Inbound Surface Parcel Post such that the Postal Service's market dominance is not related to the pricing of the product. *Id.*, Attachment B at 2. The Postal Service also claims Inbound Surface Parcel Post (at UPU rates) is

outside the scope of the letter monopoly because the rates payable are higher than six times the current price of a one-ounce Single-Piece First-Class letter and therefore falls within an exception to the Private Express Statutes in section 601(b)(1) of title 39. *Id.*

The Postal Service states that enterprises in the private sector engaged in the delivery of the product consist of private consolidators, freight forwarders, and integrators offering international shipping arrangements providing inbound parcel delivery services under similar conditions. *Id.*, Attachment B at 3.

In describing the views of current customers who use the product, the Postal Service indicates that it does not anticipate any major concern of customers because: (1) neither the product nor the inward land rate is changing as a result of the transfer; (2) the Inbound Surface Parcel Postal (at UPU rates) has been available for years; and (3) the classification of the product does not affect the availability of the service or terms and conditions. *Id.*

Similarly, the Postal Service does not anticipate an impact on small businesses because: (1) neither the product nor the inward land rates is changing as a result of the transfer; (2) Inbound Surface Parcel Post (at UPU rates) has been available for years; and (3) the classification of the product does not affect the availability of the service or the terms and conditions. *Id.*

The Postal Service contends the modifications will be consistent with past practices regarding the MCS. It asserts that Inbound Air Parcel Post (at UPU rates) has been classified previously as competitive; Inbound Surface Parcel Post (at UPU rates) has been included in bilateral agreements as part of the Inbound competitive Multi-Service Agreements with Foreign Postal Operations product; the domestic Parcel Post has recently been classified as competitive; and the single classification of Inbound Parcel Post (at UPU rates) will provide consistent treatment of parcel products in the MCS. *Id.*, Attachment B at 3-4.

III. COMMISSION ACTION

The Commission establishes Docket No. MC2014-28 to consider the Postal Service's proposals described in its Request. Interested persons may submit comments on whether the Request is consistent with the policies of 39 U.S.C. 3642, 3632, 3633, and 39 CFR 3020.30 *et seq.* Comments are due by July 28, 2014. Reply comments are due by August 11, 2014.

The Request and related filings are available on the Commission's website (<http://www.prc.gov>). The Commission encourages interested persons to review the Request for further details.

The Commission appoints Anne C. O'Connor to serve as Public Representative in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. MC2014-28 to consider matters raised by the Request.
2. Pursuant to 39 U.S.C. 505, Anne C. O'Connor is appointed to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
3. Comments by interested persons are due by July 28, 2014.
4. Reply comments are due by August 11, 2014.

5. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Ruth Ann Abrams
Acting Secretary